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Congress of the United States
House of Representatives
Washington, DC 20515-4306
March 9, 2007

The Honorable Paul Hudson
Chairman
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, TX 78711-3326

Dear Chairman Hudson:

I am writing to solicit the views of the Public Utilities Commission of Texas (PUCT) on the recently announced leveraged buyout of Texas Utilities Corporation (TXU) by Kohlberg Kravis Roberts & Co., Texas Pacific Group and Goldman Sachs, among others. I understand that the transaction is worth about \$45 billion and that it may be completed this year. I am seeking reassurance that this proposed deal receives the scrutiny by the PUCT and the public that it deserves, and that the interests of ratepayers will be adequately protected.

I want to ensure first and foremost that the leveraged buyout by KKR is in the best interest of the ratepayers of Texas. If New York investors benefit as well, all the better. I will not, however, stand idly by while investors from New York or anywhere else benefit on the backs of the Texas electricity grid or the Texas ratepayers.

As Ranking Member of the Committee on Energy and Commerce, I know the importance to the nation of adequate, reliable supplies of electricity at affordable prices. The Electric Reliability Council of Texas (ERCOT) was created to function as an independent, intra-state regional coordinator for the efficient delivery of the lowest priced electricity available. Over the course of a few short years, the price paid by Texans for electricity has gone from among the most reasonable in the country to among the top 5 most costly areas of America. The cost of power in Texas now ranks on average only slightly behind that of New York and California. Texans deserve better. Frankly, I think this performance calls into question whether or not ERCOT has out-lived its viability. The realities of today's electricity marketplace may call for an opening of ERCOT to a more robust interstate system, and to jurisdiction of the same regulatory authority that regulates other interstate electricity delivery throughout the United States.

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I always believed that Texas protected its ratepayers and thus, was protective of its privileges related to Federal Energy Regulatory Commission (FERC) jurisdiction, ERCOT and State control. As a Member of Congress representing a district served by TXU, I want to ensure that the interests of my constituents are served by this buyout. However, when the ERCOT region's independence from FERC jurisdiction is used as a weapon against ratepayers to prevent full review of such a large transaction, then it is time to revisit the issue of ERCOT's independence. If it requires that ERCOT lose its independence and become subject to regulation by FERC in order that this transaction receive the scrutiny it deserves, then so be it. It can be done with a few small changes to Federal law.

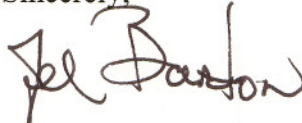
Before I propose such a course in Congress, I want to ensure that the PUCT is thoroughly reviewing this transaction. Accordingly, please answer the following questions.

1. What is the jurisdiction of the PUCT over the leveraged buyout of TXU? Is prior approval of the PUCT required before the transaction can be completed?
2. How is this buyout affecting customers in Texas?
3. I understand that there is a proposal to cut the unbundled delivery service rates (not energy prices) to consumers by 10%. At today's retail prices, by what percentage would that proposed reduction lower the total overall light bill of a residential customer? I understand that there is a 25% premium on the stock price being paid. Given the large price premium, could the rate reduction to consumers be increased or are consumers being asked to pay the acquisition premium?
4. Other than the rate reduction, are there any other consumers benefits proposed? Please explain.
5. The purchasers have committed not to build eight of the 11 coal-fired power plants that TXU had proposed to build. Given this, will the new TXU be able to provide adequate power to the Texas market? Will TXU be able to meet load growth? Are others in the state prepared to make up any short fall by TXU in meeting load growth or must power be imported from out of state over new (or existing) interconnections?
6. Is there sufficient renewable energy development in the state to make up for the cancellation of the eight coal-fired units if the transaction is completed?
7. Is there sufficient nuclear energy development in the state to make up for the cancellation of the eight coal-fired units if the transaction is completed? For resource planning purposes, when are you counting on new nuclear plants entering service and actually putting power on the Texas grid?

8. What is the long-term strategy of the proposed purchasers? I am concerned that they are in this for a short-term gain (as occurred with the quick sale and resale of the Texas Genco assets) and have no intention of staying around long enough to meet their environmental commitments, thus leaving the people of Texas holding the bag.
9. How will the KKR buyout and the reduction of power available to Texans affect electricity prices in Texas? (Assume the TXU data presented to the Public Utility Commission of Texas as justification for the need to build its planned 11 power plants is accurate. If you do not believe this information is accurate, please explain why). Please be as specific as possible addressing short, medium and long-range pricing.
10. Have recent electric cost increases impacted the manufacturing base of Texas? As costs go up, will Texas become that much less competitive with other States and nations as a host for energy-intensive manufacturing?
11. What do you expect the cancellation of the eight coal plants to mean for natural gas consumption in the electric generating sector, and for natural gas prices in general in Texas?
12. Will the cancellation of the eight new plants mean that older, less efficient and dirtier plants will be kept on-line longer since they will remain economical without the competition from new plants?
13. Without the eight new plants, will ERCOT be able to maintain adequate reserve margins? Please explain.

I would appreciate your answers to these questions as soon as possible, but no later than March 30, 2007. Thank you very much for your attention to this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joe Barton". The signature is fluid and cursive, with the first name "Joe" and last name "Barton" clearly distinguishable.

Joe Barton
Member of Congress